



Emakhazeni Local Municipality
Annual Financial Statements
for the year ended 30 June 2019

Emakhazeni Local Municipality

(Registration number MP314)

Annual Financial Statements for the year ended 30 June 2019

General Information

Legal form of entity	Local Municipality MP314
Councillors	
Executive Mayor	Mr. T.D Ngwenya
Speaker	Ms. N.A Mashele
Chief Whip	Mr. N.T Masha
Mayoral Committee	Ms M. Nkambula (Section 80 Finance and Economic Affairs) Mr. S.S Mthimunye (Section 80 Infrastructure, Planning and Social Development) Ms. T.E Scheefers (Section 80 Corporate Services)
Councillors	Mr. T.C Ngomane Mr. M.P Ntuli Ms. A.A Botha Mr. S.S Tshabalala Mr. D.M Scheefers Ms. S.I Skhosana Ms. R. Ndlovu Mr. T.J Duma Mr X.D Masina
Grading of local authority	Grade 2
Accounting Officer	Mrs E.K Tshabalala
Business address	25 Scheepers Street Belfast 1100
Postal address	P.O Box 17 Belfast 1100
Bankers	First National Bank
Attorneys	Nomaswazi Shabangu Attorneys Ntuli Noble Inc. B.V Mbungela Attorneys Mmela Mtshweni Attorneys Mnisi Nyemebe Attorneys Ndobela Lamola Attorneys Nkgadima Attorneys T.C Rampatla Attorneys Nkosi Nkosana Attorneys Kunene Ramapala Attorneys
Chief Financial Officer	Mr. B.J Thoka Email: municipality@emakhazenilm.co.za

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General Information

Municipal website

www.emakhazeni.gov.za

Contact Details

Te: (013) 253 7600

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DORA	Division of Revenue Act
WSIG	Water Services Infrastructure Grant
MIG	Municipal Infrastructure Grant
INEP	Integrated National Electrification Programme
GRAP	Generally Recognised Accounting Practice
EPWP	Expanded Public Works Programme
FMG	Finance Management Grant
IMFO	Institute of Municipal Finance Officers
MFMA	Municipal Finance Management Act

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I, E.K Tshabalala, the accounting officer of Emakhazeni Local Municipality am required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that she is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2019 and, in the light of this review and the current financial position, she is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, she is supported by the municipality's external auditors.

The annual financial statements set out on page, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2019 and were signed on its behalf by:

Mrs E.K Tshabalala
Municipal Manager

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2019.

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

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The effectiveness of internal control

The system of internal controls applied by the municipality over financial and risk management is effective, efficient and transparent. In line with the MFMA and the King IV Report on Corporate Governance requirements, Internal Audit provides the audit committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the annual financial statements, and the management report of the Auditor-General South Africa, it was noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations therefrom. Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective.

The quality of in year management and monthly/quarterly reports submitted in terms of the MFMA and the Division of Revenue Act.

The audit committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the Accounting Officer of the municipality during the year under review..

Evaluation of annual financial statements

The audit committee has:

- Reviewed and discussed the unaudited annual financial statements to be included in the annual report with the Accounting Officer;
- Reviewed the municipalities compliance with legal and regulatory provisions;

Internal audit

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.

Chairperson of the Audit Committee

Date: _____

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Annual Financial Statements for the year ended 30 June 2019

Statement of Financial Position as at 30 June 2019

Figures in Rand	Note(s)	2019	2018 Restated*
Assets			
Current Assets			
Inventories	9	1,902,326	2,350,505
Operating lease asset	7	1,667,265	160,382
Receivables from exchange transactions	10	57,821,155	24,081,064
Receivables from non-exchange transactions	11	52,023,947	43,695,077
VAT receivable	12	-	1,238,554
Cash and cash equivalents	14	43,478,734	38,180,931
		156,893,427	109,706,513
Non-Current Assets			
Investment property	3	166,830,253	197,146,245
Property, plant and equipment	4	878,690,944	860,215,305
Intangible assets	5	422,994	539,828
Heritage assets	6	9,913,342	10,255,716
		1,055,857,533	1,068,157,094
Non-Current Assets		1,055,857,533	1,068,157,094
Current Assets		156,893,427	109,706,513
Total Assets		1,212,750,960	1,177,863,607
Liabilities			
Current Liabilities			
Payables from exchange transactions	17	163,100,457	143,098,275
Consumer deposits	18	1,877,723	1,840,429
Unspent conditional grants and receipts	15	9,978,585	1,823,952
Provisions-Landfill Sites	16	899,049	2,880,018
Employee benefit obligation	8	640,000	515,000
		176,495,814	150,157,674
Non-Current Liabilities			
Employee benefit obligation	8	10,706,000	9,112,000
Provisions-Landfill Sites	16	26,935,262	45,880,022
		37,641,262	54,992,022
Non-Current Liabilities		37,641,262	54,992,022
Current Liabilities		176,495,814	150,157,674
Total Liabilities		214,137,076	205,149,696
Assets		1,212,750,960	1,177,863,607
Liabilities		(214,137,076)	(205,149,696)
Net Assets		998,613,884	972,713,911
Accumulated surplus		998,613,884	972,713,911

* See Note 43

Emakhazeni Local Municipality

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Annual Financial Statements for the year ended 30 June 2019

Statement of Financial Performance for the year ended 30 June 2019

Figures in Rand	Note(s)	2019	2018 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	20	110,610,412	111,800,188
Rental of facilities and equipment	21	243,250	123,339
Other revenue	24	1,280,700	1,734,739
Interest received - investment	25	3,781,378	655,254
Total revenue from exchange transactions		115,915,740	114,313,520
Revenue from non-exchange transactions			
Property rates	26	49,113,322	35,496,648
Licences and Permits (Non-exchange)	23	325	1,749
Gains on landfill site valuation		-	1,278,514
Actuarial gains		-	4,909,000
Government grants & subsidies	27	120,543,924	112,213,753
Public contributions and donations	29	12,830,574	43,526,686
Fines, Penalties and Forfeits	22	87,007,154	15,926,553
Fair value adjustment	3	-	2,110,661
Total revenue from non-exchange transactions		269,495,299	215,463,564
		115,915,740	114,313,520
		269,495,299	215,463,564
Total revenue	19	385,411,039	329,777,084
Expenditure			
Employee related costs	30	(96,391,028)	(88,518,941)
Remuneration of councillors	31	(6,462,508)	(6,127,957)
Depreciation and amortisation	32	(59,732,674)	(46,913,061)
Impairment loss	33	(33,617,903)	(94,287,146)
Finance costs	34	(4,906,927)	(5,427,035)
Repairs and Maintenance	28	(5,329,780)	(5,360,589)
Bulk purchases	35	(49,710,396)	(45,364,516)
Contracted services	36	(6,313,384)	(5,071,800)
Loss on disposal of assets		(1,138,975)	-
Loss on landfill sites valuation		(20,925,730)	-
Actuarial losses		(630,000)	-
Fair value adjustment	3	(30,315,992)	-
General Expenses	37	(44,035,802)	(37,543,899)
Total expenditure		(359,511,099)	(334,614,944)
		-	-
Total revenue		385,411,039	329,777,084
Total expenditure		(359,511,099)	(334,614,944)
Operating surplus/deficit		-	-
Surplus (deficit) before taxation		25,899,940	(4,837,860)
Taxation		-	-
Surplus (deficit) for the year		25,899,940	(4,837,860)

* See Note 43

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Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2017	863,032,933	863,032,933
Changes in net assets		
Surplus for the year	80,144,746	80,144,746
Total changes	80,144,746	80,144,746
Opening balance as previously reported	943,177,679	943,177,679
Adjustments		
Prior year adjustments	29,536,265	29,536,265
Restated* Balance at 01 July 2018 as restated*	972,713,944	972,713,944
Changes in net assets		
Surplus for the year	25,899,940	25,899,940
Total changes	25,899,940	25,899,940
Balance at 30 June 2019	998,613,884	998,613,884
Note(s)		

* See Note 43

Emakhazeni Local Municipality

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Annual Financial Statements for the year ended 30 June 2019

Statement of Cashflow for the year ended 30 June 2019

Figures in Rand	Note(s)	2019	2018 Restated*
Cash flows from operating activities			
Receipts			
Grants		128,698,557	114,037,705
Interest income		3,781,378	655,254
Service Charges		158,908,280	95,138,362
Fines, Penalties and Forfeits		82,156,361	15,926,553
Other revenue		1,340,700	1,864,827
		374,885,276	227,622,701
Payments			
Employee costs		(103,849,928)	(93,578,205)
Suppliers		(125,568,389)	(46,659,136)
Finance costs		(4,906,927)	(5,427,957)
		(234,325,244)	(145,665,298)
Total receipts		374,885,276	227,622,701
Total payments		(234,325,244)	(145,665,298)
Net cash flows from operating activities	39	140,560,032	81,957,403
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(135,262,229)	(51,846,660)
Net cash flows from investing activities		(332,186,632)	(51,846,660)
Net increase/(decrease) in cash and cash equivalents		5,297,803	30,110,743
Cash and cash equivalents at the beginning of the year		38,180,933	8,070,190
Cash and cash equivalents at the end of the year	14	43,478,736	38,180,933

* See Note 43

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Service charges	109,490,000	-	109,490,000	110,610,412	1,120,412	
Rental of facilities and equipment	1,151,000	(935,000)	216,000	243,250	27,250	Note 62.1
Other income	2,193,000	-	2,193,000	1,280,700	(912,300)	Note 62.2
Interest revenue	4,399,000	(814,000)	3,585,000	3,781,378	196,378	
Total revenue from exchange transactions	117,233,000	(1,749,000)	115,484,000	115,915,740	431,740	

Revenue from non-exchange transactions

Taxation revenue

Property rates	59,770,000	-	59,770,000	49,113,322	(10,656,678)	Note 62.4
Licences and Permits (Non-exchange)	8,000	-	8,000	325	(7,675)	Note 62.5

Transfer revenue

Government grants & subsidies	119,544,351	-	119,544,351	120,543,924	999,573	
Fines, Penalties and Forfeits	18,112,000	-	18,112,000	87,007,154	68,895,154	Note 62.6
Donations In Kind	-	-	-	12,830,574	12,830,574	Note 62.7
Total revenue from non-exchange transactions	197,434,351	-	197,434,351	269,495,299	72,060,948	

'Total revenue from exchange transactions'	117,233,000	(1,749,000)	115,484,000	115,915,740	431,740	
'Total revenue from non-exchange transactions'	197,434,351	-	197,434,351	269,495,299	72,060,948	
Total revenue	314,667,351	(1,749,000)	312,918,351	385,411,039	72,492,688	

Expenditure

Personnel	(97,841,000)	-	(97,841,000)	(96,391,028)	1,449,972	
Remuneration of councillors	(6,437,000)	-	(6,437,000)	(6,462,508)	(25,508)	
Depreciation and amortisation	(48,789,000)	-	(48,789,000)	(59,732,674)	(10,943,674)	Note 62.8
Finance costs	(3,937,000)	(1,063,000)	(5,000,000)	(4,906,927)	93,073	
Debt Impairment	(24,021,000)	-	(24,021,000)	(33,617,903)	(9,596,903)	Note 62.9
Repair and Maintenance	(8,085,000)	(4,000,000)	(12,085,000)	(5,329,780)	6,755,220	Note 62.10
Bulk purchases	(52,343,000)	-	(52,343,000)	(49,710,396)	2,632,604	
Contracted Services	(6,321,000)	-	(6,321,000)	(6,313,384)	7,616	
Actuarial loss	-	-	-	(630,000)	(630,000)	
Loss on landfill site valuation	-	-	-	(20,925,730)	(20,925,730)	Note 62.11
Loss on disposal of assets	-	-	-	(1,138,975)	(1,138,975)	Note 62.12
Fair value adjustment loss	-	-	-	(30,315,992)	(30,315,992)	Note 62.13
General Expenses	(39,053,000)	(3,950,000)	(43,003,000)	(44,132,532)	(1,129,532)	
Total expenditure	(286,827,000)	(9,013,000)	(295,840,000)	(359,607,829)	(63,767,829)	

	27,840,351	(10,762,000)	17,078,351	25,803,210	8,724,859	
Surplus before taxation	27,840,351	(10,762,000)	17,078,351	25,803,210	8,724,859	

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Deficit before taxation	27,840,351	(10,762,000)	17,078,351	25,803,210	8,724,859	
Taxation	-	-	-	-	-	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	27,840,351	(10,762,000)	17,078,351	25,803,210	8,724,859	

Reconciliation

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Inventories	2,878,000	-	2,878,000	1,902,326	(975,674)	
Operating lease asset	2,214,000	-	2,214,000	1,667,265	(546,735)	
Receivables from exchange transactions	69,000,000	-	69,000,000	57,821,155	(11,178,845)	Note 62.2.1
Receivables from non-exchange transactions	-	-	-	52,023,947	52,023,947	
Cash and cash equivalents	16,096,000	-	16,096,000	43,478,734	27,382,734	Note 62.2.2
	90,188,000	-	90,188,000	156,893,427	66,705,427	
Non-Current Assets						
Investment property	195,036,000	-	195,036,000	166,830,253	(28,205,747)	Note 62.2.3
Property, plant and equipment	844,532,000	-	844,532,000	869,118,944	24,586,944	
Intangible assets	680,000	-	680,000	422,994	(257,006)	Note 62.2.4
Heritage assets	10,255,716	-	10,255,716	9,913,342	(342,374)	
	1,050,503,716	-	1,050,503,716	1,046,285,533	(4,218,183)	
Non-Current Assets	90,188,000	-	90,188,000	156,893,427	66,705,427	
Current Assets	1,050,503,716	-	1,050,503,716	1,046,285,533	(4,218,183)	
Total Assets	1,140,691,716	-	1,140,691,716	1,203,178,960	62,487,244	
Liabilities						
Current Liabilities						
Payables from exchange transactions	63,750,000	-	63,750,000	141,650,788	77,900,788	
VAT payable	-	-	-	4,242,883	4,242,883	
Consumer deposits	1,877,000	-	1,877,000	1,877,723	723	
Unspent conditional grants and receipts	-	-	-	9,978,585	9,978,585	
Provisions-Landfill site	2,964,000	-	2,964,000	899,049	(2,064,951)	Note 62.2.5
Employee benefit obligation	-	-	-	640,000	640,000	Note 62.2.6
	68,591,000	-	68,591,000	159,289,028	90,698,028	
Non-Current Liabilities						
Employee benefit obligation	-	-	-	10,706,000	10,706,000	Note 62.2.7
Provisions-Landfill Sites	40,233,000	-	40,233,000	26,935,262	(13,297,738)	Note 62.2.8
	40,233,000	-	40,233,000	37,641,262	(2,591,738)	
	68,591,000	-	68,591,000	159,289,028	90,698,028	
	40,233,000	-	40,233,000	37,641,262	(2,591,738)	
	-	-	-	-	-	
Total Liabilities	108,824,000	-	108,824,000	196,930,290	88,106,290	
Assets	1,140,691,716	-	1,140,691,716	1,203,178,960	62,487,244	
Liabilities	(108,824,000)	-	(108,824,000)	(196,930,290)	(88,106,290)	
Net Assets	1,031,867,716	-	1,031,867,716	1,006,248,670	(25,619,046)	

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	-	-	-	924,868,025	924,868,025	

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Cash Flow Statement

Cash flows from operating activities

Receipts

Property rates	46,621,000	-	46,621,000	-	(46,621,000)
Service Charges	85,403,000	-	85,403,000	158,908,280	73,505,280
Grants	108,380,000	18,000,000	126,380,000	-	(126,380,000)
Interest income	4,399,000	-	4,399,000	128,698,557	124,299,557
Dividends received	-	-	-	3,781,378	3,781,378
Other receipts	21,465,000	-	21,465,000	1,340,700	(20,124,300)
Fines	-	-	-	82,156,361	82,156,361
	266,268,000	18,000,000	284,268,000	374,885,276	90,617,276

Payments

Suppliers and Employee costs	(217,081,000)	-	(217,081,000)	(229,418,317)	(12,337,317)
Finance costs	(3,937,000)	1,063,000	(2,874,000)	(4,906,927)	(2,032,927)
	(221,018,000)	1,063,000	(219,955,000)	(234,325,244)	(14,370,244)

Total receipts	266,268,000	18,000,000	284,268,000	374,885,276	90,617,276
Total payments	(221,018,000)	1,063,000	(219,955,000)	(234,325,244)	(14,370,244)
Net cash flows from operating activities	45,250,000	19,063,000	64,313,000	140,560,032	76,247,032

Cash flows from investing activities

Purchase of property, plant and equipment	(58,527,000)	(19,500,000)	(78,027,000)	(135,262,229)	(57,235,229)
Net increase/(decrease) in cash and cash equivalents	(13,277,000)	(437,000)	(13,714,000)	5,297,803	19,011,803
Cash and cash equivalents at the beginning of the year	16,800,000	19,200,000	36,000,000	38,180,931	2,180,931
Cash and cash equivalents at the end of the year	3,523,000	18,763,000	22,286,000	43,478,734	21,192,734

Reconciliation

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Emakhazeni Local Municipality

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Annual Financial Statements for the year ended 30 June 2019

Accounting Policies for the year ended 30 June 2019

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise..

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition. Where an investment property is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition and any other costs attributable to bring the asset to a condition necessary for it to be capable of operating in the manner intended by the Municipality. The cost of self-constructed investment property is the cost at date of completion. Transfers are made to or from investment property only when there is a change in use.

Where investment property is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

The cost of investment property is the purchase price and other costs attributable to bring the asset to a condition necessary for it to be capable of operating in the manner intended by the Municipality.

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1.3 Investment property (continued)

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

De-recognition

An investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in the Statement of Financial Performance in the period of the retirement or disposal.

1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

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1.4 Property, plant and equipment (continued)

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value..

Depreciation recognition

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Depreciation of an asset ceases at the date that the asset is derecognised.

Impairment

Property, plant and equipment is reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance..

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Plant and machinery	Straight line	5-10 years
Furniture and fittings	Straight line	5-10 years
Motor vehicles	Straight line	5-15 years
Office equipment	Straight line	5-10 years
Infrastructure assets	Straight line	70 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

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1.4 Property, plant and equipment (continued)

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 29).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 4).

1.5 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

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1.5 Site restoration and dismantling cost (continued)

If the related asset is measured using the revaluation model:

- (a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
 - a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
 - an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
- (b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
- (c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

1.6 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

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1.6 Intangible assets (continued)

Intangible assets are initially recognised at cost on its acquisition date. The cost of an intangible asset is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost.

Amortisation

The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is still subject to an annual impairment test.

Amortisation of an intangible asset with a finite life asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Amortisation ceases at the date that the asset is derecognised.

Amortisation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the intangible assets. The amortisation charge for each period is recognised in Statement of Financial Performance, unless it is included in the carrying amount of another asset.

Impairment

Intangible assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

De-recognition

The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Computer software, other	Straight line	8 years

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

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1.6 Intangible assets (continued)

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

1.7 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

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1.7 Heritage assets (continued)

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Impairment

The municipality assesses at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one municipality and a financial liability or a residual interest of another municipality.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by a municipality on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from a municipality's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').

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1.8 Financial instruments (continued)

- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another municipality; or
- a contractual right to:
 - receive cash or another financial asset from another municipality; or
 - exchange financial assets or financial liabilities with another municipality under conditions that are potentially favourable to the municipality.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another municipality; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the municipality.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an municipality in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an municipality after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an municipality's net assets, either before the contribution occurs or at the time of the contribution; or

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1.8 Financial instruments (continued)

- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an municipality.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the municipality had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the municipality designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class

Short term investments
Bank Balance-Primary Bank Account
Long term receivables
Consumer debtors
Other receivables
Investments in Fixed Deposit

Category

Financial asset measured at amortised cost
Financial asset measured at amortised cost
Financial asset measured at amortised cost
Financial asset measured at amortised cost
Financial asset measured at amortised cost
Financial asset measured at amortised cost

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class

Other Creditors

Category

Financial liability measured at amortised cost

The municipality has the following types of residual interests (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

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1.8 Financial instruments (continued)

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The municipality measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The municipality first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the municipality analyses a concessionary loan into its component parts and accounts for each component separately. The municipality accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

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1.8 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The municipality does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the municipality cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the municipality reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

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1.8 Financial instruments (continued)

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

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1.8 Financial instruments (continued)

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality :
 - derecognise the asset; and
 - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the municipality transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the municipality has retained substantially all the risks and rewards of ownership of the transferred asset, the municipality continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the municipality recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

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1.8 Financial instruments (continued)

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are recognised by the municipality directly in net assets. Transaction costs incurred on residual interests are accounted for as a deduction from net assets. Income tax [where applicable] relating to distributions to holders of residual interests and to transaction costs incurred on residual interests are accounted for in accordance with the International Accounting Standard on Income Taxes.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the municipality currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the municipality does not offset the transferred asset and the associated liability.

1.9 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

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1.9 Leases (continued)

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.10 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

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1.10 Inventories (continued)

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.11 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Designation

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of a municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:

- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate commercial return, the municipality designates the asset as a non-cash-generating asset and applies the accounting policy on Impairment of Non-cash-generating assets, rather than this accounting policy.

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1.11 Impairment of cash-generating assets (continued)

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Foreign currency future cash flows

Future cash flows are estimated in the currency in which they will be generated and then discounted using a discount rate appropriate for that currency. The municipality translates the present value using the spot exchange rate at the date of the value in use calculation.

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1.11 Impairment of cash-generating assets (continued)

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

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1.11 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.12 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

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1.12 Impairment of non-cash-generating assets (continued)

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Judgements made by management in applying the criteria to designate assets as non-cash-generating assets or cash-generating assets, are as follows:

Designation

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of a municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:

- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

The municipality designates an asset as non-cash-generating when its objective is not to use the asset to generate a commercial return but to deliver services.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate a commercial return, the municipality designates the asset as a non-cash-generating asset and applies this accounting policy, rather than the accounting policy on Impairment of Non-cash-generating assets.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

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1.12 Impairment of non-cash-generating assets (continued)

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

Service units approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

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1.12 Impairment of non-cash-generating assets (continued)

Reversal of an impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.13 Employee benefits

Employee benefits are all forms of consideration given by an municipality in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting municipality, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting municipality's own creditors (even in liquidation) and cannot be paid to the reporting municipality, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting municipality to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an municipality's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an municipality's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the municipality has indicated to other parties that it will accept certain responsibilities and as a result, the municipality has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

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1.13 Employee benefits (continued)

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an municipality provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

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1.13 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an municipality pays fixed contributions into a separate municipality (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the municipality during a reporting period, the municipality recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

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1.13 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting municipality) that are held by an municipality (a fund) that is legally separate from the reporting municipality and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting municipality's own creditors (even in liquidation), and cannot be returned to the reporting municipality, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting municipality; or
- the assets are returned to the reporting municipality to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the municipality's informal practices. Informal practices give rise to a constructive obligation where the municipality has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the municipality's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The municipality measures the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

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1.13 Employee benefits (continued)

The municipality determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an municipality shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an municipality shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the municipality re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

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1.13 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
 - those changes were enacted before the reporting date; or
 - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The municipality shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

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1.13 Employee benefits (continued)

Termination benefits

The municipality recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The municipality is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

1.14 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

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1.14 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of an activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 41.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

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1.14 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.11 and 1.12.

If the related asset is measured using the revaluation model:

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
 - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
 - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.15 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.16 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

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1.16 Revenue from exchange transactions (continued)

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

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1.17 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

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1.17 Revenue from non-exchange transactions (continued)

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Services in-kind

Except for financial guarantee contracts, the municipality recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality disclose the nature and type of services in-kind received during the reporting period.

1.18 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.19 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.20 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

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1.21 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.22 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.23 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.24 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

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1.24 Budget information (continued)

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2018/07/01 to 2019/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.25 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

1.26 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

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1.26 Events after reporting date (continued)

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

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2. New standards and interpretations

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3. Investment property

	2019			2018		
	Cost / Valuation	Fair Value Adjustment	Carrying value	Cost / Valuation	Fair Value Adjustment	Carrying value
Land	77,906,871	29,378,129	107,285,000	84,165,958	(6,259,087)	77,906,871
Buildings	119,239,374	(59,694,121)	59,545,253	110,870,226	8,369,148	119,239,374
Total	197,146,245	(30,315,992)	166,830,253	195,036,184	2,110,061	197,146,245

Reconciliation of investment property - 2019

	Opening balance	Fair value adjustments	Total
Investment property	197,146,245	(30,315,992)	166,830,253

Reconciliation of investment property - 2018

	Opening balance	Fair value adjustments	Total
Investment property	195,036,184	2,110,661	197,146,245

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal are as follows:

Contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements is as follows:

In the exceptional cases when the municipality has to measure investment property using the cost model in the Standard of GRAP on Property, Plant and Equipment when the municipality subsequently uses the fair value measurement, disclose the following:

- a description of the investment property,

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3. Investment property (continued)

- an explanation of why fair value cannot be determined reliably,
- if possible, the range of estimates within which fair value is highly likely to lie, and
- on disposal of investment property not carried at fair value:
 - the fact that the entity has disposed of investment property not carried at fair value,
 - the carrying amount of that investment property at the time of sale, and
 - the amount of gain or loss recognised.

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4. Property, plant and equipment

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	15,300,365	-	15,300,365	15,300,365	-	15,300,365
Buildings	198,456,462	(108,195,729)	90,260,733	198,456,462	(103,926,832)	94,529,630
Infrastructure	1,414,621,039	(686,441,444)	728,179,595	1,327,673,193	(632,655,075)	695,018,118
Other property, plant and equipment	51,707,299	(16,546,614)	35,160,685	42,083,384	(14,394,136)	27,689,248
Work In Progress	9,789,566	-	9,789,566	27,677,944	-	27,677,944
Total	1,689,874,731	(811,183,787)	878,690,944	1,611,191,348	(750,976,043)	860,215,305

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	15,300,365	-	-	-	-	-	15,300,365
Buildings	94,529,630	-	-	-	(4,268,897)	-	90,260,732
Infrastructure	695,018,118	35,544,997	(60,781)	51,747,538	(52,412,656)	(1,657,621)	728,179,595
Other property, plant and equipment	27,689,248	11,256,486	(796,225)	-	(2,934,276)	(54,547)	35,160,686
Work In Progress	27,677,944	33,859,160	-	(51,747,538)	-	-	9,789,566
Total	860,215,305	80,660,643	(857,006)	-	(59,615,829)	(1,712,168)	869,118,944

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4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Impairment reversal	Total
Land	3,781,354	1,947,011	-	-	9,572,000	-	-	15,300,365
Buildings	71,535,032	23,450,145	(84,235)	-	-	(4,022,826)	3,651,515	94,529,630
Infrastructure	687,402,977	49,881,146	(1,260,623)	-	-	(41,010,383)	-	695,018,118
Other property, plant and equipment	24,152,110	6,214,772	(575,541)	-	-	(2,104,093)	-	27,689,248
Work In Progress	20,956,230	43,526,686	-	(40,648,889)	-	-	-	27,677,944
Total	807,827,703	125,019,760	(1,920,399)	(40,648,889)	9,572,000	(47,137,302)	3,651,515	860,215,305

Reconciliation of Work-in-Progress 2019

	Included within Infrastructure	Total
Opening balance	27,677,945	27,677,945
Additions/capital expenditure	33,859,160	33,859,160
Transferred to completed items	(51,747,538)	(51,747,538)
	9,789,567	9,789,567

Reconciliation of Work-in-Progress 2018-Restated

	Included within Infrastructure	Total
Opening balance	20,956,230	20,956,230
Additions/capital expenditure	47,370,604	47,370,604
Transferred to completed items	(40,648,889)	(40,648,889)
Total	27,677,945	27,677,945

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4. Property, plant and equipment (continued)

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

5. Intangible assets

	2019			2018		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	2,494,140	(2,071,146)	422,994	2,494,140	(1,954,312)	539,828

Reconciliation of intangible assets - 2019

	Opening balance	Amortisation	Total
Computer software, other	539,828	(116,834)	422,993
Other intangible assets	-	-	-
Total	539,828	(116,834)	422,993

Reconciliation of intangible assets - 2018

	Opening balance	Additions	Amortisation	Total
Computer software, internally generated	-	-	-	-
Computer software, other	681,353	2,985	(144,510)	539,828
Other intangible assets	-	-	-	-
Total	681,353	2,985	(144,510)	539,828

6. Heritage assets

	2019			2018		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Cultural Buildings	9,913,342	-	9,913,342	10,255,716	-	10,255,716

Reconciliation of heritage assets 2019

	Opening balance	Disposals	Total
Municipal Jewellery and Cultural Buildings	10,255,716	(342,373)	9,913,342

Reconciliation of heritage assets 2018

	Opening balance	Total
Municipal Jewellery	-	-
Cultural Buildings	10,255,716	10,255,716
Total	10,255,716	10,255,716

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7. Operating lease asset		
Leases	1,667,265	160,382

8. Employee benefit obligations

Post employment medical aid benefit

The amounts recognised in the statement of financial position are as follows:

Carrying value

Present value of the defined benefit obligation	6,197,000	5,713,000
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Changes in the present value of the defined benefit obligation are as follows:

Opening balance	5,713,000	8,956,000
Current Service Cost	367,000	699,000
Interest cost	585,000	710,000
Benefits paid	(191,000)	(227,000)
Actuarial (gains)/losses	(277,000)	(4,425,000)
	6,197,000	5,713,000

Net expense recognised in the statement of financial performance

Current service cost	367,000	699,000
Past service cost	(191,000)	(227,000)
Interest cost	585,000	710,000
Actuarial (gains) losses	(277,000)	(4,425,000)
	484,000	(3,243,000)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	10.69 %	10.41 %
Expected rate of return on assets	7.98 %	8.20 %
Expected rate of return on reimbursement rights	2.51 %	2.04 %
Actual return on reimbursement rights	6.98 %	7.20 %

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8. Employee benefit obligations (continued)

Other assumptions

	One percentage point increase	One percentage point decrease
Employee's Accrued Liability	6,197,000	5,713,000
Service Cost	367,000	699,000
Interest Cost	585,000	710,000

Amounts for the current and previous four years are as follows:

	2019 30 June 2019	2018 30 June 2018	2017 30 June 2017	2016 30 June 2016	2015 30 June 2015
Defined benefit obligation	6,197,000	5,713,000	8,956,000	10,007,000	8,336,604

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8. Employee benefit obligations (continued)					
Long Service Award					
Long Service Award Arrangement					
1. After 5 year of service- 5 working days.					
2. After 10 years of service- 10 working days.					
3. After 15 years of service- 15 working dayst.					
4. After 20 years of service- 20 working days.					
5. After 25 years of service- 30 working days.					
6. After 30 years of service- 30 working days.					
7. After 35 years of service- 30 working days.					
8. After 40 years of service- 30 working days.					
9. After 45 years of service- 30 working days.					
Long Service Award					
Changes in the present value of the defined benefit obligation are as follows:					
Opening balance					
Opening balance	3,914,000	3,964,000			
Current Service Cost	311,000	371,000			
Interest Cost	341,000	340,000			
Benefits paid	(324,000)	(277,000)			
Actuarial (Gain)/Losses	907,000	(484,000)			
	5,149,000	3,914,000			
Movement in present value of defined benefit plan					
Opening balance	1,550,340	1,600,340			
Current Service Cost	311,000	371,000			
Interest Cost	341,000	340,000			
Benefit Cost	(324,000)	(277,000)			
Actuarial (gains)/losses	907,000	(484,000)			
	2,785,340	1,550,340			
Amount recognised in statement of financial performance					
Current Service Cost	311,000	371,000			
Benefit cost	(324,000)	(277,000)			
Interest cost	341,000	340,000			
Actuarial (gain)/losses	907,000	(484,000)			
	1,235,000	(50,000)			
The history of experienced adjustments					
Present value of defined benefit plan	1,235,000	1,550,340	1,600,340	1,516,340	1,240,340
Subtotal	1,235,000	1,550,340	1,600,340	1,516,340	1,240,340
	1,235,000	1,550,340	1,600,340	1,516,340	1,240,340

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8. Employee benefit obligations (continued)			
Reconciliation of employee benefit obligation	Long service award	Post employment benefit	Total
Opening balance	3,914,000	5,713,000	9,627,000
Service cost	311,000	367,000	678,000
Interest cost	341,000	585,000	926,000
Actuarial (gains)/losses	907,000	(277,000)	630,000
Benefits payments	(324,000)	(191,000)	(515,000)
Current portion of provision	(405,000)	(235,000)	(640,000)
	4,744,000	5,962,000	10,706,000
9. Inventories			
Finished goods		1,825,803	2,302,730
Water		76,523	47,775
Total		1,902,326	2,350,505
10. Receivables from exchange transactions			
Consumer debtors - Electricity		26,539,487	6,874,448
Consumer debtors - Water		14,208,289	7,559,240
Consumer debtors - Sewerage		8,060,903	4,475,126
Consumer debtors - Refuse		9,012,476	5,172,250
		57,821,155	24,081,064
11. Receivables from non-exchange transactions			
Fines		10,431,449	24,524,843
Other receivables		6,637,053	3,734,268
Property Rates		34,955,445	15,025,234
Accruals		-	410,732
Total		52,023,947	43,695,077
12. VAT receivable			
VAT		-	1,238,554
13. Consumer debtors			
Gross balances			
Rates		76,835,545	81,240,679
Electricity		58,336,425	37,169,790
Water		31,168,931	40,872,426
Sewerage		17,718,666	24,196,777
Refuse		19,810,319	27,966,094
Traffic fines debtors		79,454,600	108,570,999
Other debtors		6,637,053	3,583,925
		289,961,539	323,600,690

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Notes to the Annual Financial Statements for the year ended 30 June 2019

Figures in Rand	2019	2018
13. Consumer debtors (continued)		
Less: Allowance for impairment		
Rates	41,880,010	66,215,445
Electricity	31,796,941	30,295,342
Water	16,960,642	33,313,186
Sewerage	9,657,763	19,721,651
Refuse	10,797,843	22,793,844
Traffic fines debtors	69,023,151	80,568,405
	180,116,350	252,907,873
Net balance		
Rates	34,955,445	15,025,234
Electricity	26,539,487	6,874,448
Water	14,208,289	7,559,240
Sewerage	8,060,903	4,475,126
Refuse	9,012,476	5,172,250
Traffic fines	10,431,449	28,002,595
Other debtors	6,637,053	3,583,925
	109,845,102	70,692,818
Included in above is receivables from exchange transactions		
Electricity	26,539,487	6,874,448
Water	14,208,289	7,559,240
Sewerage	8,060,903	4,475,126
Refuse	9,012,476	5,172,250
	57,821,155	24,081,064
Included in above is receivables from non-exchange transactions (taxes and transfers)		
Rates	34,955,445	15,025,234
Other debtors	6,637,053	3,583,925
Traffic fines	10,431,449	28,002,595
	52,023,947	46,611,754
Net balance	109,845,102	70,692,818
Reconciliation of allowance for impairment		
Balance at beginning of the year	172,339,468	159,653,017
Contributions to allowance	-	12,686,451
Reversal of allowance	(61,246,178)	-
	111,093,290	172,339,468
14. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Bank balances	3,038,755	511,549
Short-term deposits	40,439,979	37,669,382
Total	43,478,734	38,180,931

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14. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances		Cashbook balances			
	30 June 2019	30 June 2018	30 June 2019	30 June 2018		
FNB Call Account-62178430212	2,276,258	1,661,765	1,784,935	1,679,975	-	-
FNB Call Account-74483123713	-	1,531,889	8,748,835	10,288,782	-	-
FNB Call Account-62028195510	3,083,755	511,549	1,779,990	828,198	-	-
FNB Call Account-62720717761	15,578,051	10,424,319	19,529,830	9,915,556	-	-
FNB Call Account-74720711205	-	499,742	1,448,616	1,949,485	-	-
FNB Call Account-74720709953	2,046,075	1,304,986	66,759	-	-	-
FNB Call Account-74720711702	-	6,695,883	1,720,620	6,417,724	-	-
FNB Call Account-74720708666	-	997,175	30,108	967,000	-	-
FNB Call Account-74720719957	2,649,854	911,843	3,659,582	801,578	-	-
FNB Call Account-74763982095	11,700,490	13,641,780	11,700,490	13,641,780	-	-
FNB Call Account-62774591385	3,442,864	-	4,130,210	66,758	-	-
FNB Call Account-62774589801	2,203,010	-	2,203,010	-	-	-
FNB Call Account-62076419508	498,377	-	1,925,355	66,759	-	-
Total	43,478,734	38,180,931	58,728,340	46,623,595	-	-

15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Water Service Infrastructure Grant	9,978,585	1,767,832
Expanded Public Works Programme Grant	-	56,120
Total	9,978,585	1,823,952

Movement during the year

Balance at the beginning of the year	1,823,952	-
Additions during the year	9,978,585	1,823,952
Income recognition during the year	(1,823,952)	-
Total	9,978,585	1,823,952

16. Provisions-Landfill Sites

Reconciliation of provisions-landfill sites - 2019

	Opening Balance	Reversed during the year	Total
Landfill site rehabilitation	48,760,041	(20,925,730)	27,834,311
Current portion of landfill site rehabilitation	(2,880,018)	(1,980,968)	(899,049)
Non Current Portion	45,880,023	(22,906,698)	26,935,262

Reconciliation of provisions-landfill sites - 2018

	Opening Balance	Additions	Utilised during the year	Total
Landfill site rehabilitation	44,601,508	4,158,533	-	48,760,041
Current portion of landfill site rehabilitation	(4,158,533)	-	1,278,515	(2,880,018)
Total	40,442,975	4,158,533	1,278,515	45,880,023

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Figures in Rand	2019	2018
17. Payables from exchange transactions		
Trade payables	58,912,263	68,211,666
Debtors received in advance	11,694,345	13,883,938
Deferred revenue	369,580	532,602
Other creditors	29,278,218	-
Retentions	12,934,043	9,103,921
Unallocated receipts	20,573,320	20,573,320
Leave pay accrual	6,992,490	5,982,334
Employee accruals	22,346,198	24,810,494
Total	163,100,457	143,098,275
18. Consumer deposits		
Electricity	1,722,447	1,722,913
Water	11,612	23,224
Rental	143,664	94,292
Total	1,877,723	1,840,429
19. Revenue		
Service charges	110,610,412	111,800,188
Rental of facilities and equipment	243,250	123,339
Licences and permits	325	1,749
Other income	1,280,700	1,734,739
Interest received - investment	3,781,378	655,254
Property rates	49,113,322	35,496,648
Government grants & subsidies	120,543,924	112,213,753
Public contributions and donations	12,830,574	43,526,686
Fines, Penalties and Forfeits	87,007,154	15,926,553
Gain/(losses) on landfill site valuation	-	1,278,514
Actuarial gain/(losses)	-	4,909,000
Total	385,411,039	327,666,423
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	110,610,412	118,800,188
Rental of facilities and equipment	243,250	123,339
Other income	1,280,700	1,734,739
Interest received - investment	3,781,378	655,254
Total	115,915,740	121,313,520
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	49,113,322	35,496,648
Licences or permits	325	1,749
Transfer revenue		
Government grants & subsidies	120,543,924	112,213,753
Public contributions and donations	12,830,574	43,526,686
Fines, Penalties and Forfeits	87,007,154	15,926,553
Total	269,495,299	207,165,389

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Figures in Rand	2019	2018
20. Service charges		
Sale of electricity	65,751,646	70,049,961
Sale of water	19,648,999	17,877,870
Solid waste	12,193,386	11,792,536
Sewerage and sanitation charges	13,016,381	12,079,821
Total	110,610,412	111,800,188
21. Rental of facilities and equipment		
Premises		
Rental Revenue-Investment Property	243,250	116,174
Rental of challet	-	2,751
Rental site fees	-	4,414
Total	243,250	123,339
Premises	243,250	123,339
Garages and parking	-	-
Facilities and equipment	-	-
Total	243,250	123,339
22. Fines, Penalties and Forfeits		
Traffic Fines	86,991,350	15,889,201
Illegal Connections Fines	15,804	31,664
Overdue Books Fines	-	5,688
Total	87,007,154	15,926,553
23. Licences and permits		
Angling Permits	325	1,020
Fishing	-	729
Total	325	1,749
24. Other revenue		
Sundry revenue	1,280,699	1,734,739
25. Investment revenue		
Interest revenue		
Primary Bank Account	179,329	224,667
Investment-Call Accounts	3,602,049	430,587
Total	3,781,378	655,254
	-	-
	3,781,378	655,254
26. Property rates		
Rates received		
Property rates	39,294,665	48,869,610
Less: Income forgone	9,818,656	(13,372,962)
Total	49,113,321	35,496,648

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Notes to the Annual Financial Statements for the year ended 30 June 2019

Figures in Rand	2019	2018
27. Government grants and subsidies		
Operating grants		
Equitable share	58,495,000	55,222,000
EPWP Grant	1,240,120	1,233,880
Finance Management Grant	1,970,000	1,900,000
MIG Operational Grant (PMU)	997,300	924,200
Internship Subsidy	89,557	141,705
Sub Total	62,791,977	59,421,785
Capital grants		
Integrated National Electrification Programme Grant	9,014,000	7,000,000
Municipal Infrastructure Grant	18,948,700	17,559,800
Water Service Infrastructure Grant	29,789,247	28,232,168
Sub Total	57,751,947	52,791,968
	62,791,977	59,421,785
Total	120,543,924	112,213,753
Conditional and Unconditional		
Included in above are the following grants and subsidies received:		
Conditional grants received	72,027,509	58,815,705
Unconditional grants received	58,495,000	55,222,000
	130,522,509	114,037,705
28. Repairs and Maintenance		
Repairs and Maintenance	5,329,780	5,360,589
29. Public contributions and donations		
Donations In Kind	12,830,574	43,526,686

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Notes to the Annual Financial Statements for the year ended 30 June 2019

Figures in Rand	2019	2018
30. Employee related costs		
Basic	55,455,587	50,245,378
Bonus	4,101,017	3,705,694
Medical aid - company contributions	3,848,483	3,440,417
UIF	560,965	535,385
SDL	782,982	716,434
SALGBC and Other payroll levies	43,218	39,255
Pension fund contributions	10,936,630	10,066,011
Travel, motor car, accommodation, subsistence and other allowances	11,271,832	14,300,688
Overtime payments	4,637,044	3,722,921
Housing benefits and allowances	4,075,490	676,758
Defined benefit plan expense	678,000	1,070,000
Total	96,391,248	88,518,941

Municipal Manager- Mrs E.K Tshabalala

Annual Remuneration	692,423	690,538
Car Allowance	190,559	189,617
Contributions to UIF, Medical and Pension Funds	154,118	153,701
Backpay	-	19,565
SALGBC	105	99
	1,037,205	1,053,520

Mrs E.K. Tshabalala serves as Municipal Manager since 01 October 2015.

Chief Financial Officer- Mr BJ Thoka

Annual Remuneration	316,191	-
Car Allowance	115,500	-
Contributions to UIF, Medical and Pension Funds	41,573	-
SALGBC	61	-
	473,325	-

Mr. B.J. Thoka serves as Chief Financial Officer since 01 December 2018.

Acting Chief Financial Officer - Mr S.P Leshage (01 July 2018-30 November 2018)

Annual Remuneration	168,719	-
Car Allowance	28,335	-
Backpay	30,601	-
Contributions to UIF, Medical and Pension Funds	39,003	-
Acting Allowance	71,389	-
SALGBC	44	-
	338,091	-

Mr S.P Leshage was appointed as Acting Chief Financial Officer from (01 July 2018- 30 November 2018).

Manager: Corporate Services - Mrs T.J Shoba

Annual Remuneration	317,928	-
Car Allowance	97,068	-
Contributions to UIF, Medical and Pension Funds	58,268	-
SALGBC	61	-
	473,325	-

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Figures in Rand	2019	2018
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30. Employee related costs (continued)

Mrs. T.J Shoba serves as Corporate Services Manager from 01 December 2018.

Acting Manager: Corporate Services- Mr I.M Abdullah (01 July 2018-30 November 2018)

Annual Remuneration	160,869	480,612
Car Allowance	51,950	123,742
Backpay	23,312	-
Contributions to UIF, Medical and Pension Funds	57,728	151,193
SALGBC	44	14,297
Acting Allowance	44,188	-
	338,091	769,844

Mr I.M Abdullah served as an Acting Manager Corporate from 01 July 2018 to 30 November 2018.

Manager Infrastructure, Planning and Social Development-Mr M.L Mamaleka

Annual Remuneration	600,408	286,706
Car Allowance	125,420	65,148
Backpay	17,322	-
Contributions to UIF, Medical and Pension Funds	68,161	33,068
SALGBC	105	-
Other	-	-
	811,416	384,922

Mr M.L. Mamaleka serves as Manager Infrastructure, Planning and Social Development since 02 January 2018.

31. Remuneration of councillors

Councillors	6,462,508	6,127,957
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Emakhazeni Local Municipality

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Notes to the Annual Financial Statements for the year ended 30 June 2019

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31. Remuneration of councillors (continued)

Remuneration of Councillors

Executive Mayor	Annual Remuneration	Telephone Allowance	Vehicle Allowance	Housing Allowance	Backpay	Company Contribution
T.D Ngwenya	474,368	44,400	179,635	35,000	14,905	71,155
Subtotal	474,368	44,400	179,635	35,000	14,905	71,155
	474,368	44,400	179,635	35,000	14,905	71,155
Speaker	Annual Remuneration	Telephone Allowance	Vehicle Allowance	Housing Allowance	Backpay	Company Contribution
N.A Mashele	379,729	44,400	146,376	-	12,045	81,901
Subtotal	379,729	44,400	146,376	-	12,045	81,901
	379,729	44,400	146,376	-	12,045	81,901
Executive Council	Annual Remuneration	Telephone Allowance	Vehicle Allowance	Housing Allowance	Backpay	Company Contribution
S.S Mthimunya	379,339	44,400	139,308	-	11,286	56,901
M. Kambula	379,339	44,400	139,308	-	11,286	56,901
T. Scheefers	352,123	44,400	139,300	-	11,437	83,973
Subtotal	1,110,801	133,200	417,916	-	34,009	197,775
	1,110,801	133,200	417,916	-	34,009	197,775
Councillors	Annual Remuneration	Telephone Allowance	Vehicle Allowance	Housing Allowance	Backpay	Company Contribution
X.D Masina	163,059	-	42,510	-	6,053	24,459
M.P Ntuli	219,167	-	56,680	-	6,053	32,875
N.T Masha	213,101	-	56,534	-	6,053	39,078
T.C Ngomane	219,167	-	56,680	-	6,053	32,875
T.J Duma	56,108	-	14,170	-	-	8,416
A.A Botha	160,051	-	56,504	-	4,717	24,008
S.I Skhosana	160,051	-	56,504	-	4,717	24,008
R. Ndlovu	133,455	-	55,784	-	4,868	51,173
S.S Tshabalala	160,051	-	56,504	-	4,717	24,008
D.M Scheefers	160,051	-	56,504	-	4,717	24,008
T.J Duma	118,329	-	42,379	-	5,401	17,852
Subtotal	571,886	-	211,171	-	19,703	117,041
	1,762,590	-	550,753	-	53,349	302,760

32. Depreciation and amortisation

Property, plant and equipment	59,615,840	46,768,551
Intangible assets	116,834	144,510
Total	59,732,674	46,913,061

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Notes to the Annual Financial Statements for the year ended 30 June 2019

Figures in Rand	2019	2018
33. Impairment of assets		
Impairments		
Property, plant and equipment	1,712,168	-
Receivables from exchange transactions	24,128,762	12,686,451
Receivables from non exchange transactions (Traffic Fines)	69,023,151	81,600,695
	94,864,081	94,287,146
Reversal of impairments		
Property, plant and equipment	(61,246,178)	-
	94,864,081	94,287,146
	(61,246,178)	-
Total impairment losses (recognised) reversed	33,617,903	94,287,146
34. Finance costs		
Interest paid	4,906,927	5,427,035
35. Bulk purchases		
Electricity	49,710,396	45,364,516
Water	-	-
Total	49,710,396	45,364,516
36. Contracted services		
Outsourced Services		
Security Services	6,313,383	5,071,800
Presented previously	-	-
Outsourced Services	6,313,383	5,071,800
Consultants and Professional Services	-	-
Contractors	-	-
	6,313,383	5,071,800

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Notes to the Annual Financial Statements for the year ended 30 June 2019

Figures in Rand	2019	2018
37. General expenses		
Advertising	503,579	198,453
Auditors remuneration	4,946,416	4,735,333
Bank charges	291,660	280,889
Rental expenses	652,675	458,159
Consulting and professional fees	8,354,651	10,695,659
Entertainment	105,731	133,398
Insurance	608,109	575,002
Community development and training	260,023	131,248
Fuel and oil	2,878,445	2,871,940
Postage and courier	553,359	536,977
Printing and stationery	828,875	879,187
Protective clothing	597,374	514,537
Subscriptions and membership fees	1,347,273	141,250
Telephone and fax	792,069	1,053,725
Training	216,334	356,269
Travel - local	481,591	700,754
Refuse	50,943	91,545
Free basic services	9,867,377	6,639,750
Licence fees	282,811	300,461
Material and stock	52,992	77,929
Other general expenses	4,582,465	2,756,542
Manufacturing expenses	3,062,963	2,601,989
Rehabilitation of landil sites	2,636,454	580,713
Chemicals	81,633	232,190
Total	44,035,802	37,543,899
38. Auditors' remuneration		
Fees	4,946,416	4,735,333

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Notes to the Annual Financial Statements for the year ended 30 June 2019

Figures in Rand	2019	2018
39. Cash generated from operations		
Surplus	25,899,940	79,545,794
Adjustments for:		
Depreciation and amortisation	59,732,674	46,913,061
Loss on disposal of assets	(1,138,975)	-
Contribution to Retirement Benefit Liability	1,594,000	371,000
Contribution to Long Service Award Liability	-	669,000
Fair value adjustment	30,315,992	-
Contribution to Provisions-Current	-	1,267,515
Correction of prior year error	-	(26,615,145)
Interest income	-	655,254
Contribution to Provision-Non Current	-	(5,437,047)
Impairment losses on Property Plant and Equipment	33,617,903	-
Loss on landfill site	20,925,730	-
Donation in kind	-	(43,526,686)
Finance cost	-	5,427,035
Movements in provisions	(189,902)	-
Changes in working capital:		
Inventories	448,179	63,875
Receivables from exchange transactions	(33,740,091)	221,354
Decrease/(Increase) in Receivables from non-exchange transactions	(4,851,118)	-
Other receivables from non-exchange transactions	-	(3,193,291)
Decrease/(Increase) in Operating Leases	-	(19,899)
Payables from exchange transactions	(1,447,487)	(554,048)
Increase/(Decrease) in VAT Receivable	1,238,554	(1,238,554)
Unspent conditional grants and receipts	8,154,633	1,823,952
Increase/(Decrease) in Consumer deposits	-	81,595
Unspent conditional grant	-	25,502,638
	140,560,032	81,957,403

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Notes to the Annual Financial Statements for the year ended 30 June 2019

Figures in Rand	2019	2018
40. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	25,654,869	17,598,701
Total capital commitments		
Already contracted for but not provided for	25,654,869	17,598,701
Authorised operational expenditure		
Already contracted for but not provided for		
• Operational commitments	8,012,306	7,218,609
Total operational commitments		
Already contracted for but not provided for	8,012,306	7,218,609
Total commitments		
Total commitments		
Authorised capital expenditure	25,654,869	17,598,701
Authorised operational expenditure	8,012,306	7,218,609
	33,667,175	24,817,310

This committed expenditure relates to capital projects which are implemented by the municipality as well as operation contracts such as security services, stationery et..

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Figures in Rand

2019

2018

41. Contingencies

CONTINGENT ASSETS

1. ELM/ Magoveni Business Trust- The municipality appointed Magoveni Holdings with a letter dated the 06th of May 2013 and entered into a service level agreement on the 15th May 2013 for a period of three years, wherein Magoveni was to assist the municipality with the provision of credit control and debt collection support. R 6 562 91.84

2. ELM/ SAMWU Provident Fund- SAMWU Provident Fund was paid contributions that were supposed to have been paid over to MEPF. R 3 151 932.46

3. ELM/ Shatadi Auctioneers- The municipality entered into a Service Level Agreement with Shatadi Auctioneers on the 04th July 2013, wherein Shatadi was appointed to dispose the redundant assets on behalf of the municipality. In terms of clause four (4) of the agreement Shatadi was supposed to pay the proceeds of the sale to the municipality within seven (7) working days of receiving the money, but to date they have not done so. R 656 296-00

4. Nkangala District Municipality- Nkangala District have committed to implement capital projects to the value of R 10 904 754.77 on behalf of Emakhazeni Local Municipality.

CONTINGENT LIABILITIES

1. ELM/ Magoveni Business Trust- The municipality appointed Magoveni Holdings with a letter dated the 06th of May 2013 and entered into a service level agreement on the 15th May 2013 for a period of three years, wherein Magoveni was to assist the municipality with the provision of credit control and debt collection support. R 3 114 235,48.

2. Vivien De klerk/ ELM- The municipality has been served with a Civil Law Suit Summons, E from Messer Vivien De Klerk and De Klerk & Marais Incorporated. The matter relates to allegations of defamatory by the municipality during the pleadings filed by the municipality in the Road Freight Matter. R 4 250 000-00.

3. P.A CLARKE/ELM- Civil dispute arising from an alleged pothole damages by the plaintiff. . Legal Department wrote to the attorney of the plaintiff requesting further information on the matter however, the attorneys did not response. Due to service of summons an attorney was appointed to tender notice of intention to defend the matter. R 10 475.47.

4. M. Mabuza/ ELM- The municipality official was deemed following charges of fraud , dismissal was confirmed by Bargaining Council.

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42. Related parties

Relationships

E.K Tshabalala	Municipal Manager
B.J Thoka	Chief Financial Officer (01 December 2018 to Date)
T.J Shoba	Manager: Corporate Services (01 December 2018 to Date)
M.L Mamaleka	Manager: Infrastructure, Planning and Social Development
I.M Abdullah	Acting: Manager Corporate Services (01 July 2018-30 November 2018)
S.P Leshage	Acting: Chief Financial Officer (01 July 2018-30 November 2018)
Councillors	
T.D Ngwenya	Executive Mayor
N.A Mashele	Speaker
N.T Masha	Chief Whipp
S.S Mthimunye	MMC: Infrastructure, Planning and Social Development
T.E Scheefers	MMC: Corporate Services
M. Nkambula	MMC: Finance
X.D Masina	Councillor
T.C Ngomane	Councillor
A.A Botha	Councillor
S.S Tshabalala	Councillor
D.M Scheefers	Councillor
S.I Skhosana	Councillor
R. Ndlovu	Councillor
T.J Duma	Councillor
M.P Ntuli	Councillor
Audit Committee Members	
F. Mudau	Chairperson
L. Langalebalela	Member
M. Mathabathe	Member
J. Modiga	Member
S. Masite	Member
Risk Management Committee	
T. Boltman	Chairperson: Risk Management Committee

Related party balances

Donations In Kind

Nkangala District Municipality	6,243,794	43,526,686
Nkomati Mine	688,034	-
Exxaro	5,700,000	-
Transnet	198,747	-

Related party transactions

Donations In Kind

Nkangala District Municipality	12,830,574	43,526,686
Nkomati Mine	688,034	-
Exxaro	5,700,000	-
Transnet	198,747	-

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43. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

Statement of financial position

2018

	Note	As previously reported	Correction of error	Restated
Land-Investment Property		84,165,958	(6,259,087)	77,906,871
Buildings-Investment Property		110,870,226	8,369,148	119,239,374
Other Assets-Cost		41,989,136	94,247	42,083,383
Other Assets-Accumulated Depreciation		(14,362,764)	(31,372)	(14,394,136)
Infrastructure Assets-Cost		1,324,778,852	2,894,340	1,327,673,193
Infrastructure Assets-Accumulated Depreciation		(631,853,296)	(53,016)	(631,906,312)
Deferred Revenue		(7,726,481)	7,193,879	(532,602)
Receivables from exchange transactions		35,269,772	(11,188,710)	24,081,062
Receivables from non-exchange transactions (Rates)		18,272,013	(3,246,779)	15,025,234
Work In Progress		30,572,284	(2,894,340)	27,677,944
Receivables from non-exchange transactions (Traffic Fines)		3,022,850	25,085,955	28,108,805
Land- Property Plant and Equipment		5,728,365	9,572,000	15,300,365
		1,000,726,915	29,536,265	1,030,263,181

44. Risk management

Financial risk management

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2019	2018
Cash and Cash Equivalent	43,478,734	38,180,931
Receivables from Exchange Transactions	57,821,155	26,720,254
Receivables from Non-Exchange Transactions	52,023,947	16,521,518
Other Receivables	1,667,265	160,382

Market risk

Interest rate risk

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45. Going concern

We draw attention to the fact that at 30 June 2019, the municipality had an accumulated surplus of 998,613,884 and that the municipality's total assets exceed its liabilities by 998,613,884.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

46. Unauthorised expenditure

Opening balance	9,004,041	13,020,250
Addition-Current Year	-	5,548,558
Approved by Council	(5,548,558)	(9,564,767)
Total waiting Council Approval	3,455,483	9,004,041

Total of R 5 548 558 has been investigated and approved by Council.

47. Fruitless and wasteful expenditure

Opening balance	11,098,749	16,000,863
Additions-Current Year	5,034,790	5,122,107
Written Off by Council	(5,109,755)	(10,024,221)
Total awaiting Council approval	11,023,784	11,098,749

The above fruitless and wasteful expenditure relates to interest charged on overdue accounts for accounts from the following service providers, Eskom, SARS, Munsoft, Telkom as well as bookings made from which officials failed to appear for their respective bookings.

Total of R 5 109 755 has been investigated and written off by Council.

48. Irregular expenditure

Opening balance	75,408,644	66,289,900
Add: Irregular Expenditure - current year	20,272,827	40,609,699
Written Off by Council	(40,150,940)	(31,490,955)
Total awaiting Council approval	55,530,531	75,408,644

A total amount of R 40 150 940 for irregular expenditure was investigated by the Disciplinary Board and written off by Council.

A total of R 55 530 531 for irregular expenditure which relates to prior year is still under investigation.

49. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	-	-
Current year subscription / fee	949,323	1,188,304
Amount paid - current year	-	-
	949,323	1,188,304

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Notes to the Annual Financial Statements for the year ended 30 June 2019

Figures in Rand	2019	2018
49. Additional disclosure in terms of Municipal Finance Management Act (continued)		
Material losses		
Electricity	1,985,632	2,800,077
Water	2,685,052	2,035,869
	4,670,684	4,835,946
Audit fees		
Opening balance	-	-
Current year subscription / fee	4,946,416	1,003,999
	4,946,416	1,003,999
PAYE and UIF		
Opening balance	-	-
Current year subscription / fee	12,660,289	15,212,378
	12,660,289	15,212,378
Pension and Medical Aid Deductions		
Opening balance	-	-
Current year subscription / fee	15,785,113	14,115,864
	15,785,113	14,115,864

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Figures in Rand	2019	2018
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49. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2019:

30 June 2019	Outstanding less than 90 days	Outstanding more than 90 days	Total
N.T Masha	1,276	4,913	6,189
J.T Duma	2,183	24,178	26,361
T.E Scheefers	2,183	24,178	26,361
S.S Tshabalala	-	324	324
S.I Skhosana	870	5,770	6,640
R. Ndlovu	967	341	1,308
D. Scheefers	1,391	11,691	13,082
	8,870	71,395	80,265

30 June 2018	Outstanding less than 90 days	Outstanding more than 90 days	Total
X.D Masina	807	6,166	6,973
N.T Masha	1,407	27,974	29,381
J.T Duma	464	-	464
T.E Scheeffers	2,058	24,625	26,683
S.S Tshabalala	1,673	644	2,317
S.I Skhosana	802	647	1,449
R. Ndlovu	916	16	932
D. Scheeffers	1,573	6,455	8,028
	9,700	66,527	76,227

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

50. Budget differences

Material differences between budget and actual amounts

A variance of 10% or more or a variance of 10% or less is considered to be material and therefore reasons will be provided under this note.

Reasons for material variances between budget and actual are explained below:-

Budget differences-Statement of financial performance

1. Rental of facilities- A 12% overperformance by rental of facilities is due to increased usage on municipal facilities by the community, such as hall rentals
2. Other revenue- A 41% underperformance is due to less sundry revenue received and this is due to dependence on the community or business to request such services.
3. Property rates- 18% underperformance is due to data cleansing which is performed by the Income Section
4. Licence and permits- 96% underperformance is due to low licence and permits requested by the community and businesses.
5. Fines and Penalties- Over achievement is due to traffic fines recognised on accrual basis in terms of GRAP.

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Figures in Rand	2019	2018
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50. Budget differences (continued)

6. Donations in kind- Over achievement is due to donations received from Nkangala District Municipality as well as other social partners. (Mines

7. Depreciation and amortisation- 22% overspending is due to increased in assets from capital projects funded from grants, as well as donations.

8. Debt Impairment-40% overspending is due to increased in impairment of debtors from traffic fines.

9. Repairs and maintenance- 60% underspending is due to prioritisation of repairs and maintenance affecting service delivery.

10. Loss on valuation of landfill site- The overspending is due to new valuation conducted on provision for rehabilitation of landfill site.

11. Loss on disposal of assets- Overspending is due to assets written off or disposed.

12. Fair value adjustment- Overspending is due to valuation of investment properties as well as prior period errors.

62.2 Budget differences-Statement of Financial Position

A variance of 10% or more or a variance of 10% or less is considered to be material and therefore reasons will be provided under this note.

Reasons for material variances between budget and actual are explained below:.

1. Receivables- Variance is due to high value of traffic fines debtors recognised in the financial year.

2. Cash and cash equivalent- Variance is due to increased in grants resulting in more investment accounts opened, as well as increased in reserves.

3. Investment Property- Variance in investment property is due to fair value adjustment as well as prior period error.

4. Intangible assets- Variance is due to amortisation.

5. Unspent conditional grant- Variance is due to unspent grants arising from additional allocation received for Drought Relief.

6. Provision for landfill site and Employee benefit obligation- Variance is due to decrease in future liability.